

**Statement of Chairwoman Sue Kelly**  
**Subcommittee on Oversight and Investigations**  
**“Terrorist Responses to Improved U.S. Financial Defenses”**  
**February 16, 2005**

Since September 11, 2001, the Subcommittee on Oversight and Investigations has conducted a series of hearings on terrorist finance. This subcommittee has led efforts to improve our financial defenses and shut off the flow of terrorist money into this country.

Working with the Treasury Department, we have created the Office of Terrorism and Financial Intelligence and increased the resources available to FinCEN, OFAC, and the Office of Intelligence Analysis (OIA).

Since the attacks on our country, our financial defenses have improved dramatically. We are constantly making strides forward in discouraging terrorists and international criminals from using our financial system against us.

The Global War on Terror is a dynamic process, however, and our foe is ruthless and cunning. The improved state of our financial defenses requires al-Queda and its allies to find new means to carry out their ends.

In turn, our own nation must ensure that new financial routes do not become safe havens for terrorist finance.

Finally, we must make sure that our efforts to detect and prevent money laundering and terrorist finance do not drive legitimate cash handling institutions out of business. I appreciate Secretary Snow’s and Under Secretary Levey’s recent public comments on this issue.

The United States does not have the resources to police all monetary transactions for money laundering and terrorist connections.

In West Africa, South Asia, and the Middle East, cooperation with local regulators and financial institutions is essential for achieving our policy goals. Multi-lateral associations such as the Financial Action Task Force (FATF) and Egmont Group can help facilitate this cooperation.

FATF is a group of 33 nations, including the United States, that develops anti-money laundering policy and best practices.

The Egmont group consists of 94 Financial Intelligence Units (FIUs) from around the world that share information on terrorist finance and money laundering. Encouraging the creation of FIUs and strengthening their information gathering capacities is essential to tracking changes in terrorist financial activity.

Unfortunately, not all nations that have committed to establishing an FIU have done so, leaving a gap in our ability to fight terrorism, and threatening relations with nations that do not match their words with action against our mutual enemies.

An example of the important role an FIU might play arose earlier this month. New reports emerged that Arab Bank in New York was being used to transmit funds from Saudi Arabia, convert them to dollars or shekels, and then transmit them as rewards to the families of terrorist bombers.

It is reported that families would simply present “martyrdom certificates” at Arab Bank branches and receive compensation.

If true, perhaps a Saudi FIU could have accelerated the flow of information to the US so that our Treasury Department and financial regulators could have responded quickly.

Perhaps there are other instances where the absence of a Saudi FIU slowed or entirely prevented action against terrorist activity.

Saudi Arabia announced it had established an FIU in 2002.

However, it appears there was no corresponding action with this announcement.

In August 2004, Treasury Undersecretary Levy informed the Financial Services Committee that the Saudi FIU had still not been established.

Today, more than 2 years after the announcement, it is quite reasonable to doubt that an operational Saudi FIU exists.

There is a news report this morning where a Saudi spokesman states that an FIU has been established and that to say otherwise disregards the facts.

This subcommittee recognizes Saudi Arabia as a critical ally in fighting terrorism, and welcomes any additional information that the Saudi Arabian government is willing to provide on the FIU issue and other matters which Mr. Royce and I have recently raised regarding terror finance initiatives.

We share their deep interest in continually strengthening the U.S.-Saudi partnership in fighting mutual enemies, but we will not be placated by press releases and glossy generalities. We welcome future discussions on these matters.

The necessity of cooperation in fighting terror financing, and encouraging governments to enforce the laws on their books cannot be denied.

Our witnesses have first hand experience of the difficulty of identifying non-traditional financial networks, of creating a climate of compliance that foreign regulators feel comfortable in, and of ensuring that commitments are backed by action.

One way to provide measurable evidence of nation's cooperation with the United States on stopping terror finance is to create a certification regime on terror finance.

Such a measure could give our Treasury officials another tool in convincing their colleagues overseas of the necessity of fighting terror finance in their own nation's, and reassure investors in compliant nations that their financial sectors are clean.

I introduced legislation to create a certification regime last Congress, and will soon reintroduce this legislation for this Committee's consideration.

This morning, the committee will take testimony from three individuals with expertise on the current state of our financial defenses, those of our allies, and the areas in which terrorist financing may be moving in response.